

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 FBOE-00 A-01 /014 W

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P 051450Z AUG 75

FM AMCONSUL MONTREAL

TO SECSTATE WASHDC PRIORITY 6575

INFO AMEMBASSY OTTAWA PRIORITY

UNCLAS MONTREAL 1309

FOR EUR/EX/CLARK FROM HARPER

E. O. 11652: N/A

TAGS: ABLD, AFSP, CA

SUBJ: OFFICE SPACE FOR MONTREAL CG

REF: STATE 182345, AUGUST 1, 1975

1. AS YOU KNOW, AS TAXPAYER I SHARE DEPT'S CONCERN RE "SUBSTANTIAL ANNUAL RENTAL DIFFERENTIAL(S)." USING DEPT ESTIMATE GIVEN REFTEL OF DOLLARS 212,250 P.A. AT SHERBROOKE AND (ASSUMING TURNKEY CONDITION IN TOWER AS PREVIOUSLY RECOMMENDED) DOLLARS 274,670 P.A. AT PLACE DESJARDINS, I WOULD BE FIRST TO AGREE THAT DOLLARS 62,420 P.A. IS SUBSTANTIAL.

2. WOULD NOTE, HOWEVER, THAT DEPT'S CALCULATION BASED ONLY ON RENTAL RATE FOR EACH OF FIRST FIVE YEARS AND DOES NOT TAKE INTO ACCOUNT INCREASE STARTING SIXTH YEAR AT SHERBROOKE (WHEREAS PLACE DESJARDINS RATE IS CONSTANT THROUGHOUT LIFE OF LEASE). MOREOVER, THIS FIGURE CALCULATED ON BASIS 9,000 SQ. FT. IN CONCOURSE AND 16,500 IN TOWER. FORMER IS AMOUNT OF SPACE WE BELIEVE NECESSARY FOR CONSULAR SECTION AND INITIALLY RECOMMENDED FOR LEASE IN CONCOURSE WHEN CONCOURSE SPACE MORE EXPENSIVE THAN TOWER. WITH CONCESSIONARY RATE OFFERED FOR THAT SPACE, WHICH IS NOW LESS EXPENSIVE THAN TOWER, IT BECAME PREFERABLE FINANCIALLY TO TAKE ALL OF IT. FAR MORE IMPORTANT, ALL SENIOR EMBASSY OFFICERS, INCLUDING REGIONAL SECURITY OFFICER, INSIST THAT FOR SECURITY PURPOSES WE MUST HAVE ALL OF CONCOURSE. (RSO HAS ALSO STATED PREFERENCE THAT WE BE ON JUST TWO FLOORS, UNCLASSIFIED

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AS AT PLACE DESJARDINS, RATHER THAN THREE AS AT SHERBROOKE.)

3. THIS CHANGES SPACE (AND PRICE) CALCULATIONS TO: 13,880.83 SQ. FT. IN CONCOURSE, AT DOLLARS 8 PSF, 756 SQ. FT. FOR STORAGE IN CONCOURSE AT DOLLARS 6 PSF, AND 13,304.34 (VICE 16,500) SQ. FT. IN TOWER AT DOLLARS 8.50 PSF. NOTE: IF WE TAKE WHOLE CONCOURSE, THAT 756 SQ. FT. MUST BE INCLUDED. THEY ARE SIMPLY GIVING US A CONCESSIONARY RATE ON IT BECAUSE IT IS USABLE ONLY FOR STORAGE.

4. WOULD NOTE ALSO THAT THE COMPARISON IN PARA ONE ABOVE IS OF APPLES AND PEARS, I.E., STANDARD CONDITION AT SHERBROOKE AND TURNKEY CONDITION AT PLACE DESJARDINS. IN VIEW OF UPWARD REVISION OF TURNKEY COST AT LATTER, WOULD WITHDRAW RECOMMENDATION WE TAKE IT IN OTHER THAN STANDARD CONDITION. (THE ADDITIONAL RENT WOULD BE ABOUT DOLLARS 25,000 P.A. OR DOLLARS 250,000 OVER THE ALMOST TEN YEAR PERIOD AND, COUPLED WITH THE LEASEHOLD IMPROVEMENT CREDIT WE WOULD GET, WE CAN SURELY PARTITION ETC., FOR LESS THAN THAT.) THUS, USING STANDARD COSTS ONLY, OUR COMPARISON FIGURES ARE:

SHERBROOKE (1ST FIVE YEARS ONLY) PLACE DESJARDINS (TOTAL PERIOD)

CONCOURSE	1ST FLOOR
(13,880.83 SF): 111,046.64	(10,058 SF): 93,036.50

STORAGE	STORAGE
(756 SF): 4,536.00	(800 SF): 3,480.00

TOWER	TOWER
(13,304.34 SF) 113,086.90	(16,967 SF): 152,703.00

TOTAL	TOTAL
(1ST FIVE YEARS) 228,669.54	249,219.50
P.A.	P.A.

2ND FIVE YEARS:

CONCOURSE	138,808.30
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STORAGE	4,536.00
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	ALL AS ABOVE
TOWER	133,043.40

TOTAL
(2ND FIVE YEARS) 276,387.70

4. UNLESS ONE SPREADS THE DOLLARS 114,334.77 OF SIX MONTHS FREE RENT OVER THE (ALMOST TEN YEAR PERIOD, THIS AVERAGES OUT AT

DOLLARS 252,528.62 P.A. AT SHERBROOKE OR SOME DOLLARS 3,000 MORE THAN THE DOLLARS 249,219.50 AT PLACE DESJARDINS. EVEN WITH A TEN-YEAR SPREAD, THE DIFFERENTIAL WOULD ONLY BE BETWEEN DOLLARS 241,095.14 P.A. AT FORMER, OR SOME DOLLARS 8,000 LESS THAN AT LATTER. I FIND IT DIFFICULT TO BELIEVE THAT DOLLARS 8,000 P.A. IS SO "SUBSTANTIAL" AS TO OUTWEIGH THE ACKNOWLEDGED ADVANTAGES OF PLACE DESJARDINS.

5. FINALLY, WOULD NOTE THAT ALL ESTIMATES ARE JUST THAT, ESTIMATES. OUR BEST GUESS HAS BEEN THAT IT WOULD TAKE ABOUT 27,000 GROSS SQ. FT. TO GIVE US THE NET SPACE WE WILL NEED. AS CONFIGURATION OF THE SPACE MAKES A DIFFERENCE IN WHAT WILL FIT INTO HOW MUCH, WE MAY FIND IT ADVANTAGEOUS TO MODIFY SOME OF THOSE FIGURES, E.E., MORE STORAGE SPACE AND LESS FOR OFFICES, OR VICE VERSA, AT LEAST AT PLACE DESJARDINS. (SPACE AT SHERBROOKE IS SOMEWHAT LESS MALLEABLE, ESPECIALLY IN CONCOURSE). THUS WE MIGHT BE REVISING DOWNWARD.

6. ARCHITECTURAL DRAWINGS, PRE-PRINTED STANDARD LEASES (WHICH CAN BE NEGOTIATED), BROCHURES, ETC., IN MAIL TO EUR/EX FOR BOTH PROPERTIES. SPECIFIC FLOOR PLANS (I.E., PARTITIONING) CANNOT BE DRAWN UP IN FINAL UNTIL SITE DECISON MADE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MONTRE01309
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750269-1204
From: MONTREAL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750881/aaaacubo.tel
Line Count: 138
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 182345
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 23 DEC 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 DEC 2002 by ReddocGW>; APPROVED <06 FEB 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OFFICE SPACE FOR MONTREAL CG
TAGS: ABLD, AFSP, CA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006